

The Foreclosure Crisis

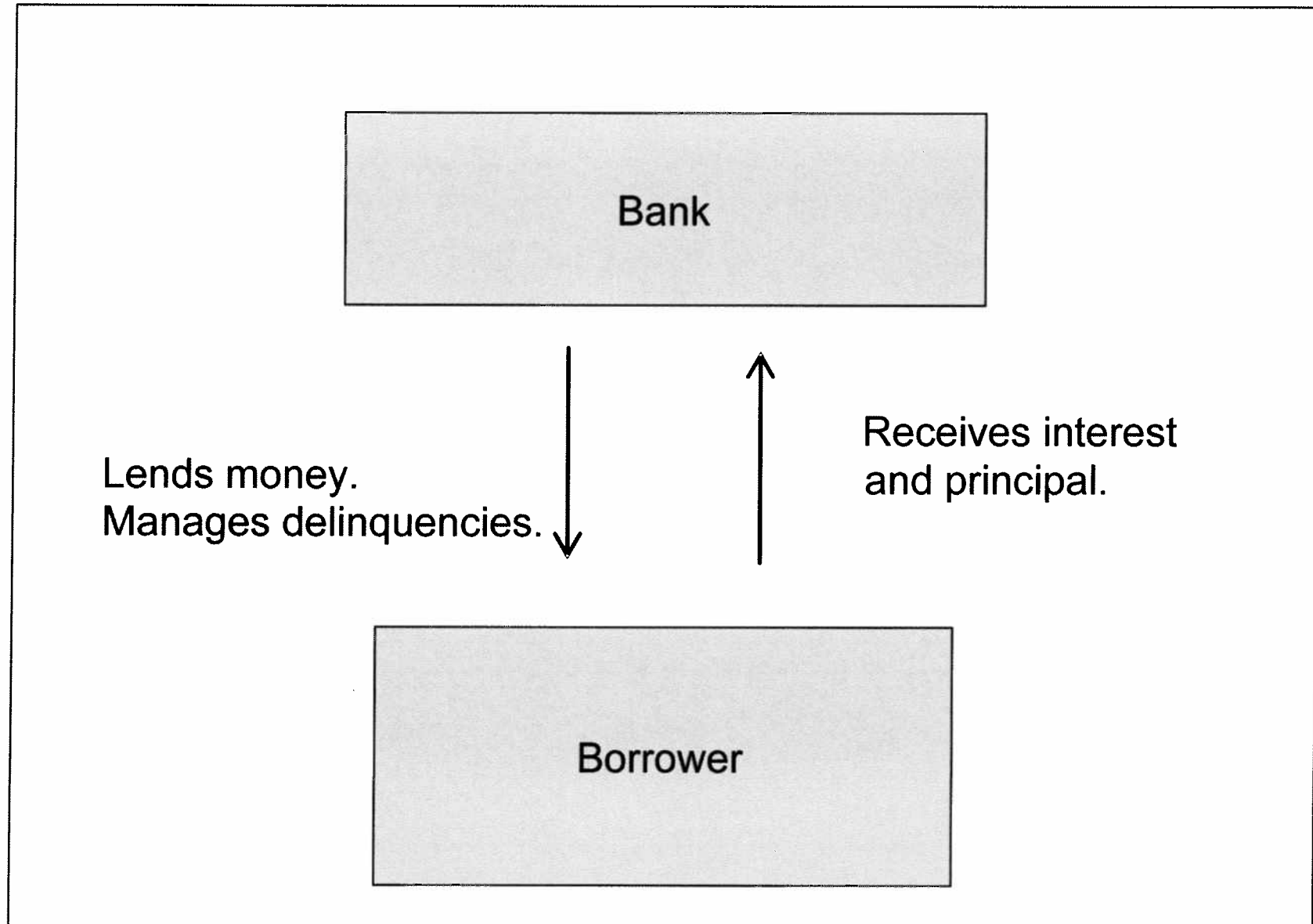


JIM ROKAKIS
CUYAHOGA COUNTY
TREASURER

216.443.2149

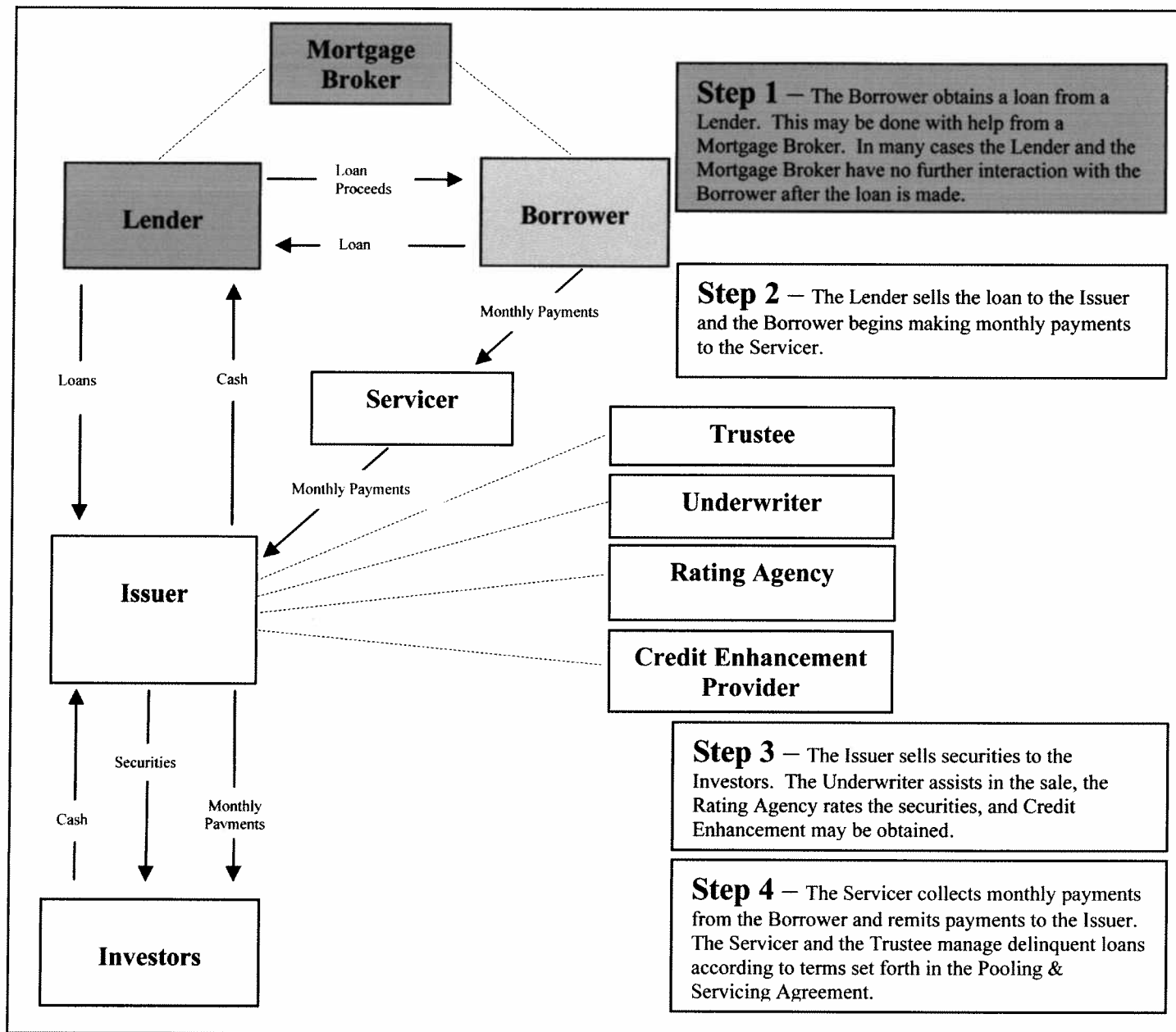
treasurer.cuyahogacounty.us

Borrowing Under the Traditional Borrower/Lender Relationship



Source: Testimony of Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation, *Possible Responses to Rising Mortgage Foreclosures*, U.S. House of Representatives, Committee on Financial Services, April 17, 2007

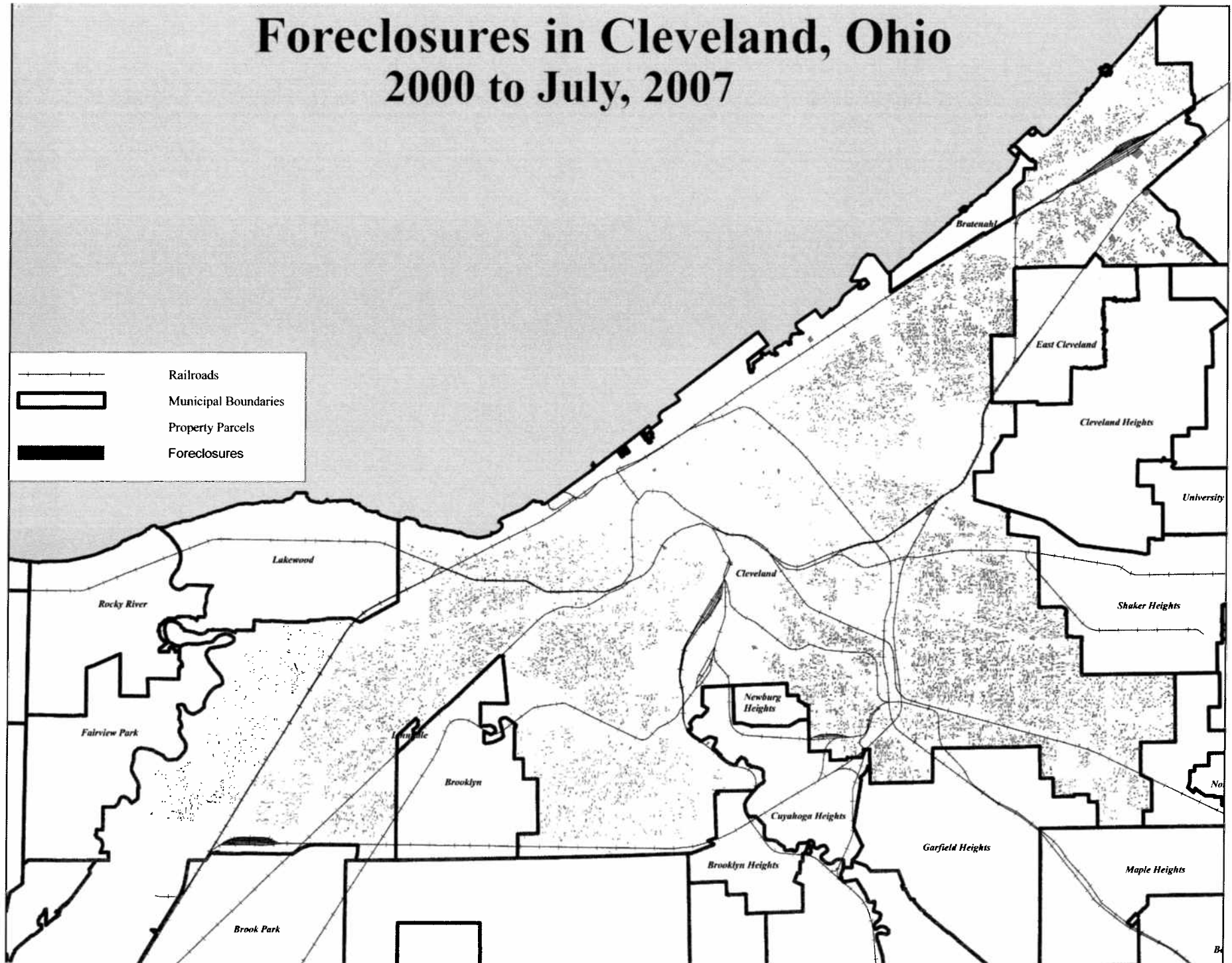
Borrowing Under a Securitization Structure

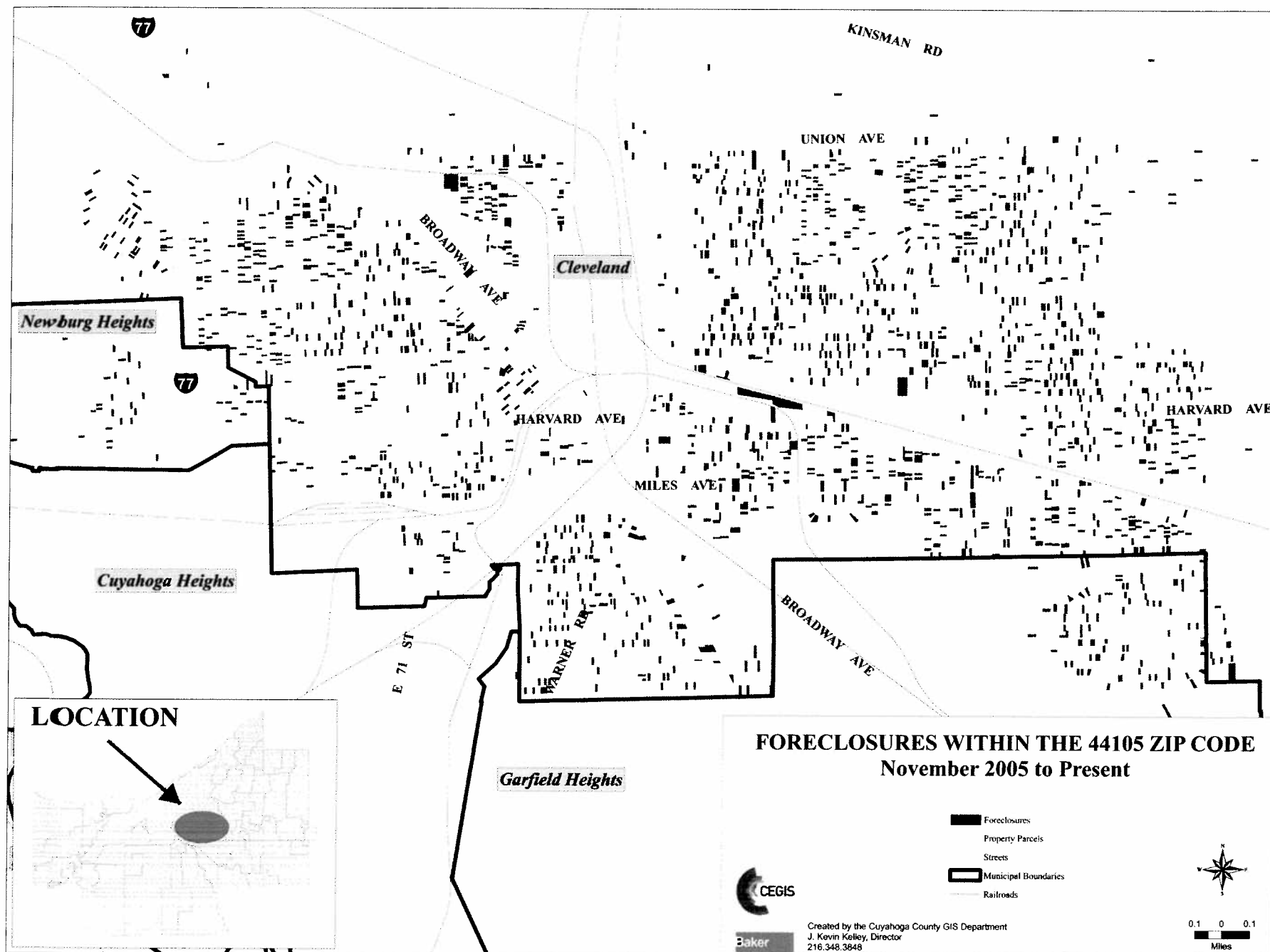


Source: Testimony of Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation, *Possible Responses to Rising Mortgage Foreclosures*, U.S. House of Representatives, Committee on Financial Services, April 17, 2007

Foreclosures in Cleveland, Ohio

2000 to July, 2007





[The Washington Post]

OUTLOOK

Commentary | **B**

Editorials
Columnists
Close to Home

SUNDAY, SEPTEMBER 30, 2007

R

The Shadow of Debt

Slavic Village Is Fast Becoming a Ghost Town. It's Not Alone.

By JIM ROKAKIS

CLEVELAND
Let me tell you about a place called Slavic Village and the death of a girl named Cookie Thomas. You've never heard this story before — talk of housing markets and hedge funds, interest rates and the Federal Reserve has drowned it out.

Twenty years ago, the Slavic Village neighborhood of Cleveland was a tightly knit community of first- and second-generation Polish and Czech immigrants. Today, it's in danger of becoming a ghost town, largely because a

Jim Rokakis is treasurer of Cuyahoga County, Ohio.

swarm of speculators, real estate agents, mortgage brokers and lenders saw an opportunity to make a buck there.

You could say it was because of them that 12-year-old Asteve' "Cookie" Thomas lost her life on Sept. 1, shot in Slavic Village when she stumbled into the crossfire of suspected drug dealers. The neighborhood wasn't always a haven for criminals — not until hundreds of foreclosures destabilized the community. Houses (800 at last count) and then entire streets were abandoned. Crime increased as vacant properties offered shelter to people who had a reason to hide.

Another victim was Joe Krasucki. On the night of March 15, his 78th birthday, he thought he heard vandals prying the aluminum siding off his house, where he had lived for

40 years. Looters had already ransacked his neighbor's abandoned property — a fate that awaits the majority of foreclosed houses in cities such as Cleveland. When Joe went outside to investigate, a gang of teenagers beat him so severely that he died a week and a half later.

Cookie Thomas and Joe Krasucki haunt me because they didn't have to die. In a sense, their deaths were foreshadowed in the late 1990s, when the dark side of the real estate industry — the predatory lenders — came to Ohio, including Cleveland's Cuyahoga County, where I serve as treasurer. They knew that the state's lax regulatory structure would give them virtually free rein. This is when

See LENDING, B5, Col. 1



The Slow Death of Some American Dreams

LENDING, From B1

we first heard terms such as "securitization," "mortgage-backed securities," "3-28s" and "risk modeling." These are code words for Wall Street strategies that made the cycle of no-money-down, no-questions-asked lending possible — the strategies that have sucked the life out of my city.

Cleveland isn't alone. In Stockton, Calif., lenders filed for foreclosure on one in 27 households in the first half of 2007, according to RealtyTrac.com, a marketer of foreclosed properties. The Detroit area watched as foreclosure proceedings started on one in 29 households. One in 122 households in the metropolitan area of Bridgeport, Conn., had a foreclosure filing, an increase of 552 percent from 2006.

The national outlook isn't good, either. RealtyTrac.com reports that there could be more than 2 million foreclosures in 2007. Home builders haven't struggled so much since the 1991 recession. Last month, the sale of new homes fell to its lowest rate in more than seven years. And the Federal Reserve's Sept. 18 decision to cut interest rates by half a percentage point tells you that we're all in trouble: homeowners, who stand to lose their biggest investment; lenders, who are going bust at a record rate; citizens, who return home each night to dangerous neighborhoods; and city governments, which simply don't have the resources to solve their communities' problems.

Funny thing, the mortgage business. For years, buyers, sellers and lenders operated under the arcane notion that if you wanted to own a home, you needed a down payment and some semblance of a good credit history. Along with other consumer advocates and

community leaders, I once battled the evils of redlining, a practice that denied loans to people — largely minorities — who lived in neighborhoods that banks considered too risky for investments. At that time, we fought for fair but sensible lending.

That's why we couldn't comprehend the new rules that predatory lenders brought to town. They offered "creative" loans to people with weak credit and, later, to others with no credit history at all. The practice defied logic. It was as if Wall Street brokers came to places such as Slavic Village and said, "Okay, you want money? We'll give you money. We'll give you more money than you dreamed possible."

They did, and predictably, the loans went bad. Borrowers managed to pay the deceptively low initial payments but fell into foreclosure when the monthly payments ballooned — a hallmark of the predatory loan. The sad truth is that for many of these buyers, responsible home ownership was simply out of their economic reach.

In June, the Mortgage Bankers Association blamed the nation's high foreclosure rate in part on the hemorrhaging of manufacturing jobs in Ohio, Michigan and Indiana. This shouldn't have come as news to anyone; the whole country realized the scope of those losses years ago. So I'd like to ask mortgage bankers why they continued making loans to people who would never be able to pay them off. Foreclosures in my own Cuyahoga County doubled from 3,500 in 1995 to more than 7,000 in 2006, and houses all over Cleveland began emptying out — houses like the one next door to Joe Krasucki.

Don't think we didn't try to halt the trend. In 2001 and 2002, the city councils of Dayton, Cleveland and Toledo all passed anti-predatory lending laws. (In 2002, there were 8,987 private mortgage foreclosures in Cuyahoga County alone, the worst of any county in the country.) But lobbyists for the real estate industry would have none of it. In February 2002, an army assembled in Columbus, the state capital, to overturn the cities' efforts — dozens of lobbyists representing mainstream banks, mortgage banks, brokers, real estate agents, title companies, appraisers and Wall Street firms. They overwhelmed consumer advocates, and the Ohio legislature passed a bill preempting the right of municipalities to enact predatory lending legislation.



BY JOHN KUNTZ — CLEVELAND PLAIN DEALER VIA ASSOCIATED PRESS

A death in Cleveland: Protesters take to the streets of Slavic Village after a 12-year-old was killed by a stray bullet.

Lawmakers promised to address the problem that the city ordinances had sought to correct, but they sat tight for four years. The tsunami of foreclosures forced the legislature's hand in 2006, when lawmakers passed a bill that reined in brokers and appraisers. But by then, the crisis had engulfed Ohio's cities and even its suburbs. More than 13,600 private mortgage foreclosures were filed in Cuyahoga County in 2006 — again, the worst in the nation.

The Federal Reserve's recent decision to cut interest rates may calm the nerves of Wall Street bankers, but it won't bring back Cookie Thomas or Joe Krasucki. Nor will it help the thousands of innocent people in Cleveland who live on streets with vacant houses. These hard-working citizens have watched their single most valuable asset, their home, plummet in value. According to a study by Dan Immergluck at the Georgia Institute of Technology, living within 150 feet of a vacant house reduces your property value by at least \$7,000. But for too many people, that disconcerting news is beside the point: Even if they wanted to sell their homes, they wouldn't be able to find buyers. Who wants to live in a sea of foreclosures where

drug dealers roam the streets and vandals covet the aluminum siding on your house?

In my county, more than 74,000 homeowners have filed for property tax reductions this year — people like the elderly woman on Berry Avenue on Cleveland's west side who brought me a beautiful photo montage of her well-maintained home, sitting in the midst of abandoned houses. She sobbed quietly as she explained that she had spent thousands of dollars on upkeep and on improving the property. That's money she will never get back. We've all read about the losses at investment-banking firms like Bear Stearns, but we don't read about that woman on Berry Avenue.

The interest-rate cut won't help city governments, either. It does nothing for the 10,000 vacant structures in Cleveland, almost all of them abandoned since the late 1990s. Nor will it cover the \$100 million demolition bill facing this city. You see, most of these vacant structures will never be restored; all you can do is pull them down. They've been stripped of anything of value — copper piping, furnaces, windows, doors, you name it. Cleveland City Councilman Michael Polensek recently described to me the scavengers' efficiency: They arrive at a house less than a day after

it has been vacated and strip it clean within hours.

A flurry of legislative proposals has come before Congress, including bills by Rep. Keith Ellison (D-Minn.) and Sens. Charles E. Schumer (D-N.Y.), Robert P. Casey Jr. (D-Pa.) and Sherrod Brown (D-Ohio). These bills prohibit brokers from steering home buyers into higher-priced loans and require borrowers to prove that they can make their monthly payments, not only at the low teaser rate but also at the higher rate that follows. Helpful steps, but too late.

Unfortunately, none of these bills addresses the costs to cities associated with maintaining, policing and, in the most dire case, demolishing neighborhoods such as Slavic Village. One bill introduced in Congress would allocate \$100 million over the next three years to help with demolition costs — a number that met with peals of laughter at a conference on vacant properties that I attended in Pittsburgh last week. "Add a zero," one participant suggested.

Cities aren't asking for a bailout; they're asking for emergency funds to address the huge costs they've incurred because a private-sector industry was out of control. Congress needs to help the cities that helped make this country great — cities like Detroit and Cleveland. And they need to do it for Cookie Thomas and Joe Krasucki.

cuytreas@aol.com

Risky Business

- 2.2 million recent subprime home loans have failed or will end in foreclosure.
- These foreclosures will cost homeowners up to \$164 billion.
- One in five subprime mortgages initiated in the past two years will end in foreclosure.

SOURCE: Center for Responsible Lending

» Jim Rokakis will discuss his article at 1:30 p.m. Tuesday at www.washingtonpost.com/liveonline.



BY MIKE LEVY FOR THE WASHINGTON POST

Nobody's home: Cleveland's working-class Slavic Village is full of abandoned houses, like the one next door to Joe Krasucki's. He was buried from Mosinski Funeral Home, above, after his death in March.

Exhibit 2
Argent Mortgages Ending in Foreclosure, 2003-2007(Apr. 30)

Foreclosure

Address	Zip Area	Property	Date Filed	Defendant	Loan Date	Loan Amount(L)	Auditor Value(V)	Ratio
1371 WEST 95TH STREET	44102 Edgewater	Two Family	5/30/06	CHRISTINA R. KERFONIA ET AL	6/16/04	\$95,400	\$50,100	190%
1348 WEST 91ST STREET	44102 Edgewater	Two Family	3/22/05	SHARON A. HUGHES, ET AL	8/16/04	\$73,800	\$46,200	160%
1353 WEST 98RD ST	44111 Edgewater	One Family	4/6/06	ALEXANDER MAGHERU ET AL	1/11/06	\$82,700	\$56,700	183%
1316 WEST 87TH	44102 Edgewater	Two Family	1/23/06	DONNA M. EMERY ET AL	9/1/04	\$87,500	\$55,500	122%
1282 WEST 89TH STREET	44102 Edgewater	One Family	4/26/07	GLENN HESTER ET AL	7/6/04	\$73,800	\$26,800	275%
9607 SILK AVENUE	44102 Edgewater	Two Family	3/9/06	LAURA EKRINSKY ET AL	6/8/05	\$98,700	\$59,700	144%
9519 PRESTON AVENUE	44102 Edgewater	Two Family	4/18/06	ERMAINE JACKSON, ET AL	4/13/05	\$76,800	\$62,700	122%
10617 BALTIC AVENUE	44102 Edgewater	Two Family	5/15/06	MICHAEL E. FEDOR ET AL.	9/3/04	\$121,500	\$113,300	107%
1471 WEST 14TH STREET	44102 Edgewater	One Family	1/3/07	TRAVIS CRAIG ET AL.	4/17/05	\$157,900	\$74,400	212%
1503 WEST 102ND STREET	44102 Cudell	Two Family	5/16/06	MICHELE J. SOWELL ET AL	8/9/04	\$72,900	\$32,600	194%
1358 W. 76TH ST.	44102 Detroit-Shoreway	Two Family	2/1/07	JERRY EDWARDS, ET AL	2/8/06	\$81,000	\$64,800	125%
1363 WEST 73RD STREET	44102 Detroit-Shoreway	Two Family	4/18/06	DARRELL MARTIN, ET AL	7/13/05	\$45,300	\$35,300	157%
1336 WEST 99TH STREET	44102 Detroit-Shoreway	Two Family	10/23/06	GERAL RODRIGUEZ ET AL	10/6/04	\$87,150	\$52,800	128%
1336 W 81ST ST.	44102 Detroit-Shoreway	One Family	2/7/06	MICHELLE MAYO, ET AL	4/29/05	\$84,600	\$48,600	133%
8710 FRANKLIN AVE	44102 Detroit-Shoreway	Two Family	18/07	GHEORGHITA TARLA, ET AL	4/14/04	\$103,500	\$68,700	151%
7242 WEST CLINTON AVENUE	44102 Detroit-Shoreway	One Family	10/3/06	RICHARD A. CIRAVENIC ET AL	12/24/03	\$129,000	\$46,700	276%
1421 WEST 85TH ST.	44102 Detroit-Shoreway	One Family	12/28/06	ARDELL CLOUD ET AL.	5/24/06	\$83,700	\$50,800	165%
1454 WEST 84TH STREET	44102 Detroit-Shoreway	Two Family	3/29/06	MIKE J DUBIN ET AL	7/28/04	\$68,000	\$48,900	139%
7808 MADISON AVENUE	44102 Detroit-Shoreway	One Family	8/4/06	NELSON ROCHE JR, ET AL	4/15/03	\$64,000	\$47,900	134%
6010 WAKEFIELD AVE	44182 Detroit-Shoreway	Two Family	5/18/04	KATHLEEN HAAS ET AL	2/16/03	\$70,250	\$35,000	197%
6014 WAKEFIELD AVENUE	44182 Detroit-Shoreway	One Family	4/4/06	CHRISTOPHER FOSTER ET AL	10/12/05	\$64,800	\$26,800	239%
6091 ELLEN AVENUE	44182 Detroit-Shoreway	One Family	12/9/05	ADAM COHEN ET AL	9/2/03	\$79,200	\$39,300	207%
1818 WEST 97TH STREET	44102 Detroit-Shoreway	Two Family	1/5/06	TERRANCE SHAMBLEY ET AL.	1/31/05	\$99,000	\$67,400	147%
1812 WEST 97TH STREET	44102 Detroit-Shoreway	Two Family	7/26/06	MARVIN C. HUDSON, ET AL	9/13/04	\$79,200	\$48,200	164%
1978 WEST 50TH STREET	44102 Detroit-Shoreway	Three Family	2/16/06	FRANCISCO MENDIOA JR AKA E	5/13/04	\$51,937	\$43,100	121%
9186Z-47 ST	44182 Detroit-Shoreway	Two Family	11/6/06	VERONICA C. HENRY ET AL	7/14/03	\$126,000	\$64,700	195%
1894 WEST 45TH STREET	44102 Detroit-Shoreway	Two Family	3/28/06	ROSCEE A RUMON, ET AL	12/20/04	\$106,000	\$106,500	296%
4108 CLINTON STREET	44113 Ohio City/N. W. S.	Two Family	12/20/06	JOAN WERMAN, ET AL	6/8/04	\$185,850	\$109,300	170%
4111 JOHN CT.	44113 Ohio City/N. W. S.	One Family	1/17/06	JACQUELYN WILLINGHAM ET AL	3/29/05	\$72,000	\$28,500	253%
4249 BRIDGE AVENUE	44183 Detroit-Shoreway	Two Family	11/22/06	REIS M. QUINONES ET AL	11/16/03	\$156,750	\$52,500	299%
3275 WEST 115TH STREET	44111 Cudell	One Family	1/17/06	RONNIE L. JOHNSON ET AL	3/30/06	\$84,000	\$73,400	114%
3083 WEST 11TH ST	44111 Cudell	One Family	1/12/06	TOMMY L. ANDERSON, ET AL	9/14/04	\$84,600	\$57,800	147%
3236 WEST 12TH STREET	44111 Cudell	Two Family	6/9/06	JAMES R. POLZNER ET AL	3/6/04	\$108,250	\$83,200	131%
3170 WEST 103TH STREET	44111 Cudell	One Family	5/9/06	ROBERT WRIGHT, ET AL	9/8/05	\$64,400	\$32,500	199%
3159 W. 105TH ST.	44111 Cudell	One Family	2/28/07	LOUIS J. POHORENCE ET AL	9/10/04	\$58,500	\$50,200	117%
3068 WEST 105TH STREET	44111 Cudell	One Family	9/26/06	EVETTE FRANCE ET AL	3/10/05	\$67,500	\$38,000	225%
3089 WEST 103RD STREET	44118 Cudell	Two Family	1/1/08	FRED J. BURTON ET AL	2/14/06	\$121,500	\$83,600	145%
2211 WEST 103RD STREET	44102 Cudell	One Family	3/18/07	ELIZABETH ADKINS ET AL	6/6/06	\$74,400	\$67,500	129%
2185 W 103RD STREET	44102 Cudell	One Family	6/26/06	KELLY J. BARNETT ET AL	3/9/06	\$78,200	\$67,800	117%
2163 WEST 106TH STREET	44102 Cudell	One Family	3/30/06	JERRY A. SHANK ET AL.	3/1/04	\$81,000	\$60,900	133%
2111 WEST 105TH STREET	44102 Cudell	One Family	4/19/06	JONATHAN E. GLOVER - ET AL.	3/24/05	\$74,250	\$48,700	152%
2145 WEST 104TH STREET	44102 Cudell	One Family	7/27/06	EUGENE P. BAKER, ET AL	12/22/04	\$80,750	\$61,000	132%
2028 WEST 106TH STREET	Cudell	One Family	3/16/06	WESLEY W. WHITCOMB JR	5/5/04	\$83,000	\$36,100	175%
3236 WEST 99TH ST.	44102 Cudell	One Family	9/30/06	CARMEN ORTIZ, ET AL	11/10/03	\$71,250	\$46,800	152%
2195 W 95	44102 Cudell	One Family	9/21/06	JERRY W. BRELSFORD ET AL	3/28/05	\$50,000	\$37,800	132%
2097 WEST 98TH ST	Cudell	One Family	11/19/06	JOSE T. HENRIQUEZ ET AL	5/26/04	\$73,350	\$36,100	203%
2154 WEST 95TH ST.	Cudell	Two Family	10/30/05	KAREN KNIGHT ET AL	2/2/06	\$81,000	\$55,800	145%
2020 W. 96TH ST.	44102 Cudell	One Family	6/21/05	BOBBY SHEPARD, ET AL	10/18/04	\$103,500	\$74,000	140%
2296 WEST 85TH STREET	44102 Cudell	One Family	6/29/06	JOSE T. HENRIQUEZ ET AL	11/18/04	\$84,600	\$52,200	162%
2094 WEST 91ST STREET	44102 Cudell	Two Family	2/16/07	CAROL MCFARLAND ET AL	8/31/05	\$54,000	\$66,200	82%
2108 W. 91ST STREET	44102 Cudell	Two Family	12/18/06	ONEKA HOOD, ET AL	7/9/04	\$79,800	\$45,000	177%
2076 WEST 89TH STREET	Cudell	One Family	1/26/06	SHIRLEY HARRIS ET AL	5/26/06	\$82,800	\$80,500	103%
2100 WEST 85TH STREET	44102 Cudell	One Family	1/18/06	DAVID A. BOURNE SR. ET AL	8/11/05	\$68,600	\$62,200	112%
2110 W 85TH ST	44102 Cudell	Two Family	7/21/05	MARGARITA ALICEA, ET AL	12/8/03	\$68,000	\$62,300	109%
2028 WEST 91ST STREET	44102 Cudell	One Family	11/22/06	ABRAHAM C. ANDERSON ET AL	9/18/06	\$85,600	\$52,500	163%
2153 WEST 85TH STREET	44102 Cudell	One Family	12/15/06	STEPHEN L. MILLER	12/14/05	\$72,400	\$55,000	132%
2141 WEST 81ST STREET	44111 Detroit-Shoreway	Two Family	12/15/06	RONALD W. SMOLEN ET AL	4/7/05	\$55,000	\$67,900	81%
2145 WEST 81ST STREET	44102 Detroit-Shoreway	One Family	3/21/05	MICHELLE L. DAVIS, ET AL	8/27/04	\$78,500	\$47,800	160%
2080 WEST 81ST STREET	44102 Detroit-Shoreway	Two Family	4/20/06	HOYT EBERHARDT, III, ET AL	9/1/04	\$52,000	\$43,000	121%
1023 WEST 83RD STREET	44102 Detroit-Shoreway	Two Family	4/30/06	DERWIN TODD HARRIS, ET AL	2/1/05	\$71,250	\$50,800	140%
2007 WEST 83RD STREET	44102 Detroit-Shoreway	One Family	9/13/06	RODGER JONES ET AL	10/4/05	\$85,500	\$61,900	165%
2045 WEST 83RD ST	44102 Detroit-Shoreway	Two Family	5/29/06	CHRISTINA E. KERFONIA, ET AL	4/7/05	\$90,000	\$45,700	199%
7804 DUDLEY AVE	44102 Detroit-Shoreway	Two Family	11/15/06	ISMAEL FERNANDEZ ET AL	11/12/04	\$78,750	\$52,300	151%
7704 ELTON AVENUE	44102 Detroit-Shoreway	One Family	2/8/06	SHANTAL M WILMINIK ET AL	7/27/04	\$67,450	\$56,000	120%
7415 LAWN AVENUE	44102 Detroit-Shoreway	Two Family	9/28/06	WILLIAM F. BENNETT ET AL	2/8/05	\$73,350	\$35,100	208%
7319 LAWN AVE	44182 Detroit-Shoreway	One Family	3/18/07	FRED J. BURTON ET AL	2/13/06	\$90,000	\$65,200	138%
6534 COLGATE AVENUE	44102 Detroit-Shoreway	Two Family	10/31/05	SHANDA DAVIS, ET AL	12/20/04	\$53,200	\$51,100	104%
7216 ELTON AVENUE	44182 Detroit-Shoreway	One Family	11/18/05	L KEVY WILLIAMS, ET AL	10/16/04	\$85,500	\$38,600	222%
6811 LAWN AVE	44102 Detroit-Shoreway	Two Family	6/26/06	HERBERT HARTLEY ET AL	2/15/05	\$90,000	\$34,800	255%
6812 LAWN AVENUE	44102 Detroit-Shoreway	One Family	10/31/06	GERAL RODRIGUEZ ET AL	9/1/05	\$48,100	\$39,200	204%
6912 HAGUE AVE	44102 Detroit-Shoreway	One Family	11/17/05	RONNIE WASHINGTON ET AL	6/20/05	\$69,300	\$29,900	230%
		One Family	12/1/06	BRENDA M. DILLINGHAM ET AL	3/31/05	\$55,400	\$38,500	176%
		Two Family	11/30/06	RICHARD ALVAREZ, ET AL	8/8/05	\$79,200	\$31,700	250%
		Two Family	2/28/07	RANDEY JOHNSON ET AL	1/8/06	\$68,000	\$51,300	133%
		One Family	7/10/06	MARGARET M. SCHULTZ, ET AL	11/24/04	\$76,350	\$26,700	288%
		One Family	11/18/05	NAZKI ALKHODOUR ET AL	9/17/04	\$76,000	\$32,400	235%

Prepared by: Center for Housing Research and Policy, CSU (6-30-07).
Information deemed reliable, but accuracy is not guaranteed.